



LEGISLATIVE FISCAL OFFICE

Fiscal Note

Fiscal Note On: **HB 782** HLS 09RS 1367
Bill Text Version: **REENGROSSED**
Opp. Chamb. Action:

Proposed Amd.:
Sub. Bill For.:

Date: May 26, 2009	9:07 AM	Author: ELLINGTON
Dept./Agy.: Revenue		
Subject: Pre-paid wireless 911 fee		Analyst: Deborah Vivien

DISTRICTS/COMMUNICATIONSRE +\$4,608,000 LF RV See NotePage 1 of 1

Provides additional service charge on wireless telecommunications services

Current law authorizes parishes to create communication districts and authorizes the districts to collect 911 fees on telephone services (R.S. 33:9106) and post-paid wireless telecommunication services (R.S. 33:9109). The local communication districts assess the fees by local ordinance and the fees are paid directly to the district.

Proposed law enacts a 911 fee for prepaid wireless phones of sixty cents per transaction to be remitted to the Department of Revenue along with state sales tax. The vendor is allowed to retain 3% as reimbursement for collection and the Department of Revenue is allowed to retain up to 1% for administration expenses. The remainder of the fee or 96% is to be distributed between the communication districts that provide the 911 service by the proportion of state population within each district.

Effective January 1, 2010.

EXPENDITURES	2009-10	2010-11	2011-12	2012-13	2013-14	5 -YEAR TOTAL
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	\$0
Agy. Self-Gen.	\$800,000	\$48,000	\$48,000	\$48,000	\$48,000	\$992,000
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	\$0	\$0	\$0	\$0	\$0	\$0
Annual Total	\$800,000	\$48,000	\$48,000	\$48,000	\$48,000	\$992,000

REVENUES	2009-10	2010-11	2011-12	2012-13	2013-14	5 -YEAR TOTAL
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	\$0
Agy. Self-Gen.	\$800,000	\$48,000	\$48,000	\$48,000	\$48,000	\$992,000
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	\$1,600,000	\$4,608,000	\$4,608,000	\$4,608,000	\$4,608,000	\$20,032,000
Annual Total	\$2,400,000	\$4,656,000	\$4,656,000	\$4,656,000	\$4,656,000	\$21,024,000

EXPENDITURE EXPLANATION

The Department of Revenue (LDR) indicates that the implementation costs in the first year will reach \$800,000 as an estimated 24,750 of the total 33,000 potential retail dealers will be required to electronically file and pay the 911 fee. Extensive upfront preparation costs are expected in the first year with creation and design of an electronic filing system that can interface with the LDR tax system (\$750,000) and notification and registration of prepaid wireless telecommunication dealers (\$50,000). Ongoing expenses should be covered in subsequent years by the proceeds of the 1% administrative fee, estimated below to be approximately \$48,000 per year. System initiation expenses up to \$800,000 are allowed to be deducted from first year fee collections.

REVENUE EXPLANATION

The base of this fee increase is purchase of cellular phones with a predetermined number of minutes, and, when those minutes are exhausted, the purchase of more minutes for the phone. Currently, prepaid wireless phones are not assessed an E911 fee but are able to provide E911 services. This bill imposes a fee of 60 cents for each retail purchase of a pre-paid wireless phone or additional minutes in this state with the remitter retaining 3% (1.8 cents) per transaction as payment for collection services. The state also has the ability to retain 1% (0.6 cents) per transaction for administrative expenses. The Department of Revenue may retain up to \$800,000 in FY 09/10 to cover the cost of implementing a system to receive and distribute the proceeds. Data tallying sales of pre-paid cell phones by state are not readily available though the use of prepaid phones appears to be rising as the economy constricts. According to the consultant firm Kimbell, Sherman, Ellis, LLC, representing large wireless providers, it is estimated that consumers will generate about 8,000,000 transactions in the state involving the sale of prepaid phones or the purchase of additional minutes during the fiscal year. While the reported transactions base could not be independently verified by the Legislative Fiscal Office, should this number of transactions materialize, a fee of 60 cents per transaction would generate \$4,800,000 with \$144,000 of that staying with vendors and up to \$48,000 retained by the state for administrative functions (fee collection in FY 09/10 is only in effect for half the year). The remainder or \$4,608,000 would be distributed between the communications districts by the proportion of state population within each district. These districts are assumed to be local governmental districts for purposes of this fiscal note.

Senate	Dual Referral Rules	House	
<input type="checkbox"/> 13.5.1 >= \$500,000 Annual Fiscal Cost		<input type="checkbox"/> 6.8(F) >= \$500,000 Annual Fiscal Cost	<div> Gregory V. Albrecht Chief Economist</div>
<input checked="" type="checkbox"/> 13.5.2 >= \$500,000 Annual Tax or Fee Change		<input type="checkbox"/> 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease	